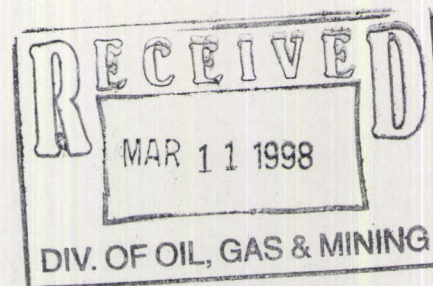


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UTELITE CORPORATION

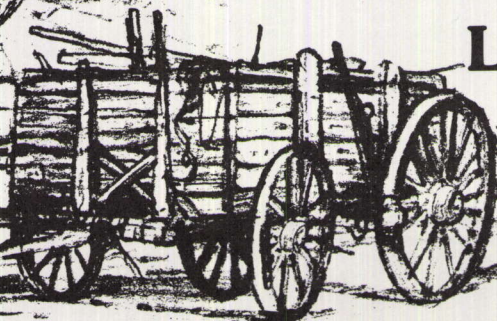
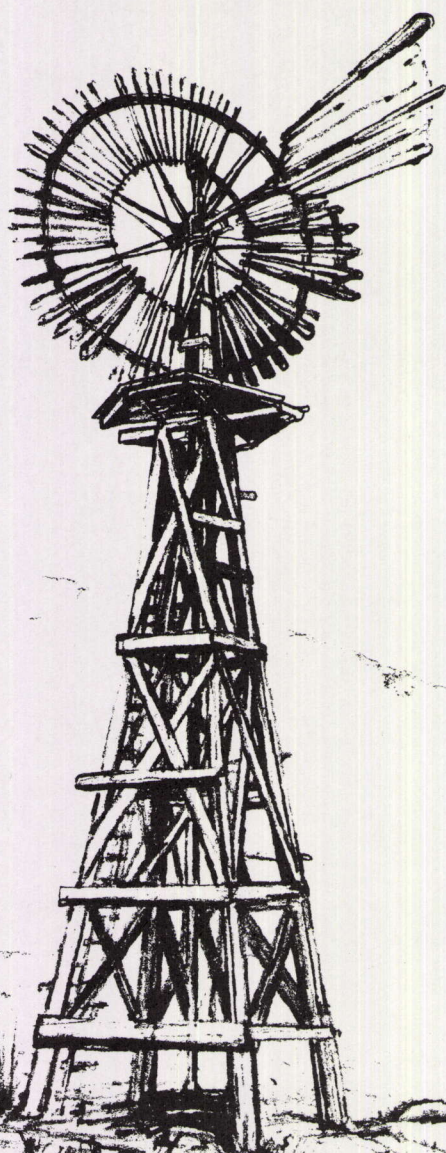
Financial Statements

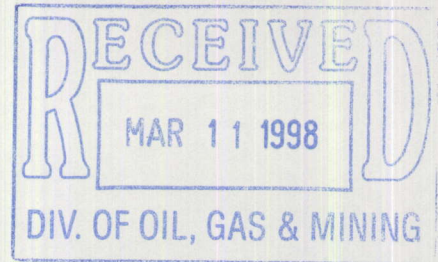
December 31, 1997

Lynn M. Carlson & Co.

CERTIFIED PUBLIC ACCOUNTANTS

4505 SOUTH WASATCH BLVD.
SUITE 300
SALT LAKE CITY, UTAH 84124
TELEPHONE (801) 277-1040





UTELITE CORPORATION

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Lynn M. Carlson & Co.

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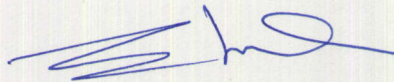
To the Board of Directors
UTELITE CORPORATION
Coalville, Utah 84017

We have reviewed the accompanying statement of assets and liabilities--income tax basis of **UTELITE CORPORATION** (an S corporation) as of December 31, 1997, and the related statements of revenues and expenses--income tax basis, retained earnings--income tax basis and cash flows--income tax basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the owners of **UTELITE CORPORATION**.

The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note A.



LYNN M. CARLSON & CO.

March 4, 1998

UTELITE CORPORATION
STATEMENT OF ASSETS, LIABILITIES & EQUITY--INCOME TAX BASIS
December 31, 1997

ASSETS

CURRENT ASSETS

Cash	\$	(33,453)
Trade Accounts Receivable		1,009,660
Employee Accounts Receivable		450
Material Inventory		239,983
Notes Receivable Shareholders--Current		15,000
Notes Receivable--Current		<u>6,290</u>

TOTAL CURRENT ASSETS **1,237,930**

PROPERTY AND EQUIPMENT

Land	318,486
Buildings, Structures & Land Improvements	417,867
Plant Machinery & Equipment	4,433,862
Pollution Control Equipment	604,732
Machinery	913,449
Autos, Trucks, Trailers	102,440
Office Equipment	62,285
Less Accumulated Depreciation	<u>(4,553,963)</u>

2,299,158

OTHER ASSETS

Notes Receivable--LT	3,415
Notes Receivable Shareholders--LT	162,229
Assets in Progress	<u>57,439</u>

223,083

\$ 3,760,171

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	242,937
Accrued Payroll Taxes		7,179
Notes Payable--Current		<u>274,623</u>

TOTAL CURRENT LIABILITIES **524,739**

LONG TERM LIABILITIES

Notes Payable--LT	<u>1,169,361</u>
-------------------	------------------

TOTAL LIABILITIES **1,694,100**

STOCKHOLDERS' EQUITY

Common Stock, Par Value \$1.00	164,757
500,000 Shares Authorized	
164,758 Shares Issued, of which	
49,690 are held in Treasury	
Premium on Capital Stock	235,415
Treasury Stock	(49,370)
Retained Earnings	<u>1,715,269</u>
	<u>2,066,071</u>
	<u>\$ 3,760,171</u>

See accountant's report and notes to financial statements.

UTELITE CORPORATION
STATEMENT OF REVENUE AND EXPENSES--INCOME TAX BASIS
December 31, 1997

SALES	\$ 5,532,890
COST OF SALES	
Inventory Adjustment & Purchases	242,454
Direct Labor	946,664
Plant Power & Utilities	146,017
Kiln Fuel	560,463
Delivery Expense	1,918,134
Small Tools	2,430
Supplies	43,666
Repairs & Maintenance	584,002
Fuel & Oil	73,540
Raw Material Royalties	40,455
Lab & Testing	3,847
	<u>4,561,672</u>
GROSS PROFIT	971,218
EXPENSES	
Marketing & Promotions	27,557
Employee Benefits	125,854
Payroll Taxes	66,037
Advertising	6,417
Travel & Sales	18,295
Insurance	36,253
Telephone	16,635
Legal & Professional	46,513
Office Supplies & Postage	17,820
Taxes & Licenses	47,531
Auto Allowance & Expense	15,505
Miscellaneous & Bank Charges	8,506
Dues & Subscriptions	12,554
Training	4,286
Depreciation	695,508
Management & Accounting	5,047
Rents & Leases	47,377
Air Pollution Control	9,830
MSHA	1,470
ESCSI	15,798
	<u>1,224,793</u>
INCOME FROM OPERATIONS	(253,575)
OTHER INCOME (EXPENSE)	
Interest & Dividend Income	12,099
Gain or (Loss) on Sale of Assets	(5,867)
Interest Expense	139,933
	<u>(133,701)</u>
NET INCOME	\$ <u>(387,276)</u>

See accountant's report and notes to financial statements.

**UTELITE CORPORATION--TAX
STATEMENT OF CASH FLOWS--INCOME TAX BASIS
December 31, 1997**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 5,288,168
Interest and dividends received	12,099
Other operating receipts	(4,241)
Cash paid to suppliers and employees	(4,850,960)
Interest paid	<u>(139,933)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

305,133

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for the purchase of property	<u>(222,742)</u>
--	------------------

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES

(222,742)

CASH FLOW FROM FINANCING ACTIVITIES:

Net borrowings on line of credit	0
Principal payments on long-term debt	(177,013)
Dividends paid	(155,002)
Proceeds from issuance of long-term debt	<u>192,512</u>

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES

(139,503)

NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS

(57,112)

CASH AND EQUIVALENTS, BEGINNING OF YEAR

23,657

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ (33,455)

**RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Net Income	\$ (387,274)
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Adjustments to reconcile net income to net cash
provided by operating activities:

Depreciation and amortization	695,507
(Gain) loss on disposal of property	1,626
(Increase) decrease in accounts receivable	(244,722)
(Increase) decrease in prepaid expenses	67,769
(Increase) decrease in inventories	210,392
(Increase) decrease in other assets	(9,508)
Increase (decrease) in accounts payable	(28,655)

Total adjustments	692,409
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NET CASH PROVIDED (USED BY OPERATING ACTIVITIES)	\$ 305,135
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Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest expense	139,933
------------------	---------

**UTELITE CORPORATION--TAX
STATEMENT OF RETAINED EARNINGS--INCOME TAX BASIS
December 31, 1997**

ACCUMULATED ADJUSTMENTS ACCOUNT

Balance, January 1, 1997	\$	1,103,591
Taxable Income		(387,276)
Distributions		<u>(154,999)</u>

Balance, December 31, 1997		561,316
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PREVIOUSLY TAXES INCOME

Balance, January 1, 1997		20,216
Distributions in Excess of the Accumulated Adjustments Account		<u>0</u>

Balance, December 31, 1997		20,216
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OTHER RETAINED EARNINGS

Balance, January 1, 1997		1,133,737
		<u>0</u>

Balance, December 31, 1997		1,133,737
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TOTAL RETAINED EARNINGS, DECEMBER 31, 1997	\$	<u>1,715,269</u>
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UTELITE CORPORATION--TAX
NOTES TO FINANCIAL STATEMENTS
(See Accountant's Report)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Basis of Accounting

The Company's policy is to prepare its financial statements on the income tax basis of accounting; consequently, the Company recognizes depletion expense as the greater of cost depletion or statutory depletion. Under generally accepted accounting principles, only cost depletion is acceptable.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

Allowance for Doubtful Accounts

No reserve for bad debt has been established by the Company. Historically, uncollectible accounts receivable have not been significant enough to warrant establishing a reserve. Bad debts are written off as it becomes evident that they are uncollectible; any recoveries are included in income when received.

Inventories

Inventories are valued at the lower of cost or market under the first-in, first-out, (FIFO) method. Cost is determined using the Internal Revenue Code's guidelines with respect to uniform capitalization of inventory.

Depreciation

Property, plant and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the related assets using the accelerated cost recovery system and the modified accelerated cost recovery system required by the Internal Revenue Code.

Cash

For purposes of the statement of cash flows, the Company includes only cash on deposit and similar demand deposits that are not subject to withdrawal restrictions or material penalties as cash and cash equivalents.

UTELITE CORPORATION--TAX
NOTES TO FINANCIAL STATEMENTS
(See Accountant's Report)

NOTE 2--PROFIT SHARING PLAN

The company maintains a profit sharing plan for its employees. Contributions to the plan are based on eleven cents (\$.11) per yard of product sold in the quarters that the Company is profitable, an additional \$0.225 per yard of product sold and \$0.225 per yard of product produced are contributed to the profit sharing plan regardless of whether the company is profitable or not.

Profit sharing contributions expensed as an employee benefit in these financial statements are \$19,620.11.

The company also provides a fringe benefit cafeteria plan for its employees.

NOTE 3--LONG-TERM DEBT

Notes payable at December 31, 1997 are as follows:

	<u>1997</u>
First Security Bank has extended a \$250,000 line of credit, the terms of which were modified and renewed July 22, 1997, extending the maturity date of the Note to July 22, 1998. Current interest rate on the line of credit is 9.25%, and the entire principal balance of the note is due prior to July 22, 1998. The loan is secured by trade accounts receivable and inventory.	\$ 149,500.00
Less Amount Due Within One Year	(149,500.00)
	<u><u>\$.00</u></u>
Interest expense on this loan in the amount of \$12,907.95 has been deducted in these financial statements.	

A note payable due First Security Leasing, incurred June 26, 1996. The note has a ten-year term, monthly principal and interest payments of \$16,236.35 and bears an interest rate of 9.59%. The proceeds from this loan were used to finance a major plant expansion. The Company added an additional kiln and the supporting equipment required to bring the kiln into production. The loan is secured by all the equipment and fixtures at the plant site

	\$1,131,479.68
Less Amount Due Within One Year	(90,224.66)
	<u><u>\$1,041,255.02</u></u>

Interest Expense on this loan in the amount of \$112,830.88 has been deducted in these financial statements.

UTELITE CORPORATION--TAX
NOTES TO FINANCIAL STATEMENTS
(See Accountant's Report)

A note payable due PFC Group, Inc., incurred January 27, 1997. The note has a five-year term, monthly principal and interest payments of \$3,945.04 and bears an interest rate of 8.45%. The proceeds from this loan were used to purchase the #3 baghouse including insulation and duct work, #3 ID fan and the #3 kiln internals. The loan is secured by that same equipment.

\$ 163,003.59

Less Amount Due Within One Year

(34,897.63)

\$ 128,105.96

Interest expense on this loan in the amount of \$14,137.31 has been deducted in these financial statements.

NOTE 4--BUY/SELL AGREEMENT

The Company has entered into an agreement with its four stockholders that obligates the Company, upon the death of a stockholder, to purchase the deceased stockholder's stock in the Company. The purchase price is established by formula.

NOTE 5--CONTINGENT LIABILITIES

Five years ago a lawsuit was brought against Summit County and Summit County Planning Commission for improperly issuing a permit to the Company allowing them to build a rail loading facility in a certain location. In 1994, the Company was named as a defendant in that lawsuit.

As a result of a ruling in that lawsuit, the Company has paid \$15,000 to the Clerk of the Court to be held in escrow pending plaintiffs' appeal of that judgment.

Although no assurances can be given as to the outcome, the Company believes that it has meritorious defenses to such lawsuit. The Company does not believe that the outcome of such proceeding or the pending appeal will have a material effect on its financial position.